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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000148

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SUBJECT: KMT CHAIRMAN WU POH-HSIUNG EXPLORES IDEAS FOR
DEALING WITH THE UN REFERENDUM ISSUE

REF: A. TAIPEI 0028

[1](#)B. 07 TAIPEI 2537

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

[1](#)1. (C) Summary: In a meeting with the Director on January 29, KMT Chairman Wu Poh-hsiung claimed the KMT was eager to resolve the UN referendum issue, as a first step to improving relations with the U.S. and China. President Chen's recent offers to accept KMT input in selecting a "CEO premier" and to reach a compromise on the UN referenda were not made in good faith, argued Wu, and are fraught with pitfalls for the KMT. In the unlikely event Chen agrees to forego a defensive referendum and to "de-couple" the referenda from the presidential election, Wu stated, the KMT LY caucus might agree to a "binding resolution" to replace both the DPP and KMT UN referenda. Although it is still too early to say, he continued, the KMT might even call for a boycott of the two UN referenda late in the election, if it would help Ma win. The KMT cannot afford to rest on its laurels after its landslide LY victory, Wu lamented, because DPP presidential candidate Frank Hsieh is more "crafty and unpredictable" than President Chen. End summary.

[1](#)2. (C) The Director met with KMT Chairman Wu Poh-hsiung at KMT headquarters on January 29. KMT Vice Chairman John Kuan (Kuan Chung) and KMT foreign policy adviser Steven Chen (Hsi-fan) also attended the meeting.

Pres. Chen's CEO Idea a Ruse

[1](#)3. (C) Wu asserted President Chen's recent solicitation of KMT input in choosing a "CEO premier" was merely an attempt to trick the KMT into sharing blame for the failure of the Chen administration. When Chen was re-elected in 2004, recalled Wu, he refused to allow the KMT-dominated LY to participate in choosing the premier. Now, with his power and popularity on the wane, Wu continued, Chen is casting about for ways to take the KMT down with him. The KMT will not wittingly do anything to help Chen out of his predicament, Wu declared.

UN Referendum: KMT Wants Out

14. (C) The KMT is eager to resolve the UN referendum issue, Wu claimed, because doing so would be the first step toward improving relations with both the United States and China. At the same time, he continued, the KMT must be extremely cautious in its dealings with Chen and Hsieh, both of whom cannot be trusted. Wu acknowledged meeting with President Chen on January 25, at Chen's request, to discuss a possible compromise on the UN referenda issue. According to Wu, Chen suggested the KMT-controlled LY approve a binding resolution, proposing UN membership for "our country" instead of "Taiwan," as a replacement for the two existing referenda. The KMT rejected this proposal, explained Wu, because it feared Chen would exploit the language of the KMT-approved resolution to craft his own "defensive referendum." Chen still controls the Central Election Commission (CEC), which would certainly approve Chen's use of the defensive referendum mechanism, predicted Wu. The KMT would be unable to appeal the decision because the CEC is the final arbiter of such questions, Wu continued, and the KMT would be unable to object to language the KMT LY caucus had already approved.

15. (C) The KMT has two preconditions for any compromise with the DPP: first, Chen must forswear the use of a defensive referendum. Two referenda are bad enough, asserted Wu, and a third, a defensive referendum no less, would only make matters worse. Second, the DPP must agree to hold the presidential election and referenda ballots on separate days. Although Chen might agree to give up the defensive referendum option, Wu predicted, he will never agree to "de-couple" the UN referenda from the presidential ballot. Chen knows that the DPP referendum has a much better chance of meeting the required participation threshold (50 percent of eligible voters) if more people come to the polls, and that the presidential election turnout rate is always high.

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Wu said the KMT had not ruled out urging voters to boycott the UN referenda, backtracking from his January 7 assertion that Ma would "certainly lose" if the KMT withdrew its UN referendum (Ref A).

U.S. Interests At Risk?

16. (C) If the DPP UN referendum passes, argued KMT Vice Chairman John Kuan, it will adversely affect U.S. interests. KMT policy adviser Steven Chen (Hsi-fan) suggested that President Chen might withdraw the referendum if the U.S. were to threaten specific consequences, such as the suspension of military sales to Taiwan. Chen also expressed concern that President Chen might refuse to hand over power if the KMT were to win the presidential election in March. Taiwan's democratic institutions are considerably stronger than those in Thailand or Burma, replied the Director. The legislature, and more importantly the Taiwan people, would not tolerate a president's refusal to peacefully transition to a newly elected government. The Director also reminded his KMT counterparts that the U.S. remains impartial in the presidential race, and that the chief U.S. concern is that Taiwan's next president be committed to repairing the frayed mutual trust in U.S.-Taiwan relations.

No Rest For The Weary

17. (C) Wu admitted no one in his party expected the landslide results of January 12's LY balloting. That said, Chen Shui-bian's unpopularity and the new single-member district, "winner take all" electoral system were key factors in the KMT's victory. The DPP won a slightly higher percentage of the vote than it did in the 2004 LY elections, Wu conceded. Unfortunately for the DPP, its voters did not constitute the majority except in a few districts in the south. Because the DPP base did not vote at full strength, and the majority of participating "swing" voters backed the KMT, the KMT won most of its races by large margins, and lost by only a few points

in some former DPP strongholds, argued Wu.

18. (C) The KMT is still "nervous" about the presidential election, Wu stressed, because DPP presidential candidate Frank Hsieh (Chang-ting) is more "crafty and unpredictable" than President Chen. Hsieh will need to be clever, Wu quipped, because it is highly unlikely that Chen will change course on the referendum or make other policy changes to benefit Hsieh's campaign. Hsieh has less than two months to convince voters he and the unpopular Chen are not the same, which might not be enough time to do the job. Nonetheless, Wu continued, the KMT cannot afford to rest during the Feb. 6-11 Lunar New Year holiday, and will use the time to get out and "pray" for votes.

19. (C) The KMT expects 75-80 percent of voters to turn out in the March 22 presidential election, said Wu, an increase of 15-20 percent over the recent LY elections. According to KMT sources, Wu continued, very few overseas Taiwanese returned to vote in the LY elections, but more are expected to do so for the presidential election. Taiwanese doing business in the PRC typically favor the KMT by a 7-to-3 margin, Wu claimed. (Note: KMT Vice Chairman P.K. Chiang told the Deputy Director last November the KMT is actively soliciting such support (see Ref B). End Note.) Victory is far from certain, conceded Wu, because higher voter turnout typically favors the DPP, and voter behavior on election day is always unpredictable.

Comment

10. (C) The meeting between Wu and President Chen received widespread attention in the local press. Wu and others in the KMT believe the UN referendum issue has turned into a liability for Chen and his party. Further emboldened by the dismal failure of the two LY election referenda, the KMT now thinks it holds the better hand on the matter, and can afford to sit and wait, instead of jumping at risky chances to "neutralize" the referendum issue. This growing confidence

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is also reflected in Wu's change of heart on the possibilities of a KMT referendum boycott. Wu made it clear that the KMT's decision to keep or dump its UN referendum will turn entirely on whether it helps or hurts Ma's presidential campaign.

YOUNG